

REGISTERED NUMBER: 00080604 (England and Wales)

**Strategic Report,
Report of the Directors and
Financial Statements
for the Year Ended
31 December 2017
for
Charles F.Stead & Company,Limited**



**Contents of the Financial Statements
for the Year Ended 31 December 2017**

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Charles F.Stead & Company,Limited

**Company Information
for the Year Ended 31 December 2017**

DIRECTORS:

P J Crack
D W Bailey
D E Crack
K D Crack
M D Crack
A W Bailey

SECRETARY:

J Thompson

REGISTERED OFFICE:

Sheepscar Tannery
Sheepscar
Leeds
LS7 2BY

REGISTERED NUMBER:

00080604 (England and Wales)

AUDITORS:

Kirk Newsholme
Chartered Accountants and Statutory Auditors
4315 Park Approach
Thorpe Park
Leeds
West Yorkshire
LS15 8GB

**Strategic Report
for the Year Ended 31 December 2017**

The directors present their strategic report of the company for the year ended 31 December 2017.

BUSINESS REVIEW

As shown in the company's profit and loss account on page 9 turnover increased by 13 % from £ 8.66m to £ 9.78m and operating profit was £ 503k compared to a loss of £ 473k in 2016. This was mainly as a consequence of the treatment of exchange differences on forward contracts.

The balance sheet on page 10 of the financial statements shows that retained profit has increased by £ 397k and the year-end cash balance stands at £ 2.76m. The company has no borrowings.

The directors are continually working to improve the company's carbon footprint with investment to reduce our energy use, our water use and to treat our effluent with new technologies as they become available.

The company continues to invest in these new technologies, and new products and manufacturing techniques to maintain its competitive edge in the current difficult market.

Key performance indicators

| Key performance indicator | 2017 | 2016 |
|---------------------------|----------|------------|
| Gross profit % | 15.2% | 17.9% |
| Operating profit/(loss) | £503,459 | £(473,359) |
| Operating cash inflow | £708,502 | £(664,953) |
| Stock days | 221 | 265 |
| Debtor days | 30 | 41 |

Notes to KPI's

1 Gross Margin = Operating profit plus other operating expenses as a percentage of turnover.

The company aims to maximise profit available for distribution to shareholders as measured by Gross Margin. Source data is taken from the audited financial statements.

2 Operating profit

The company aims to increase shareholder value and measures performance against this objective by measuring operating profit. Source data is taken from the audited financial statements.

3 Net cash from operating activities = Operating profit adjusted for movements in working capital.

The company aims to maximise operating cash inflow generation by efficiently managing working capital and monitors this by measuring net cash from operating activities. Source data is taken from the audited financial statements.

4 Stock days = Raw materials and consumables, other external expenses, staff costs and depreciation divided by the average value of opening and closing stock expressed as a number of days. Source data is taken from the audited financial statements.

The company monitors stock turnover to ensure that the right levels of stocks are held in order to meet customer demands whilst not carrying excessive amounts which impacts upon working capital requirements.

**Strategic Report
for the Year Ended 31 December 2017**

5 Debtor days = the average value of trade debtors divided by turnover expressed as a number of days. Source data is taken from the audited financial statements.

The company monitors debtor days as this is an important indicator of working capital requirements.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The board is aware of its obligations to review, manage and mitigate the risks faced by the company on a regular basis.

The principal risks are considered to be as follows:

Major customer loss

The market for manufactured suede leather remains highly competitive. The company seeks to manage the risk of losing customers by continuing to produce the highest quality suede leathers together with the manufacture of innovative new products through extensive research and development. The company also seeks to provide added value services to customers and by maintaining strong relationships and local representation with key customers.

Only two customers represent more than 10 % of turnover and the directors maintain a close relationship with these customers. The sales team are tasked with constantly seeking out new customers to widen its customer base. The company employs stringent monitoring of production quality, maintenance of customer delivery requirements and customer relationship issues to identify potential customer concerns at an early stage.

Reputational risk

As the company operates in relatively small markets any damage to, or loss of, reputation could be a major concern. Rigorous management attention and quality control procedures are in place to maximise right first time and on time delivery. Responsibility is taken for ensuring swift remedial action on any snags and complaints.

Operational risk

Solid reporting systems and accurate and timely management information is reviewed by the directors monthly.

Health & safety

The company maintains healthy and safe working conditions on its premises and we continuously aim to improve our working environments to ensure we are able to provide a safe occupational health and safety standards to our employees and visitors.

Environment

The company's policy with regard to the environment is to understand and effectively manage the actual and potential environmental impact of our activities. Operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out of our business. During the period of this report the company has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Brexit impact

The company is prepared for the economic and political uncertainty in the future resulting from the UK vote to leave the EU. The company still maintains its long term strategic aim of growing core products, the company will continue to expand its operations with new and existing customers.

**Strategic Report
for the Year Ended 31 December 2017**

Financial instruments

The company's operations expose it to a variety of financial risks including the effect of changes in overseas exchange rates, credit risk and liquidity risk.

The company has a significant level of transactions in overseas currencies and uses derivative instruments in the form of forward exchange contracts to measure this exposure.

The company's principal financial instruments comprise sterling cash and bank deposits, together with trade debtors and trade creditors that arise directly from operations.

The main risks arising from the company's financial instruments can be analysed as follows:

Foreign currency risk

A significant level of sales are made in US Dollars. The company also purchases significant levels of raw materials in US Dollars. The company is therefore exposed to movements in the US Dollar to Sterling exchange rates. The Directors monitor the net exposure and take out forward contracts to fix exchange rates.

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors, which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is mitigated by a stringent management of customer credit limits by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The company's policy has been to ensure continuity of funding through maintaining significant levels of credit balances in the company's bank accounts. The company has no bank or other borrowings.

ON BEHALF OF THE BOARD:



K D Crack - Director

25 September 2018

Charles F.Stead & Company,Limited (Registered number: 00080604)

**Report of the Directors
for the Year Ended 31 December 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of manufacturers of suede for the shoe production industry.

DIVIDENDS

The total distribution of dividends for the year ended 31 December 2017 was £111,825 (2016 - £106,500).

RESEARCH AND DEVELOPMENT

The company carries out research and development activities with the aim of utilising new types of hide and developing new treatments and processes to improve the finished product.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

P J Crack
D W Bailey
D E Crack
K D Crack
M D Crack
A W Bailey

Other changes in directors holding office are as follows:

C A Hodgson - resigned 31 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charles F.Stead & Company,Limited (Registered number: 00080604)

**Report of the Directors
for the Year Ended 31 December 2017**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'K D Crack', written in a cursive style.

K D Crack - Director

25 September 2018

**Report of the Independent Auditors to the Members of
Charles F.Stead & Company,Limited**

Opinion

We have audited the financial statements of Charles F.Stead & Company,Limited (the 'company') for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**Report of the Independent Auditors to the Members of
Charles F.Stead & Company,Limited**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neill Rayland BA FCA (Senior Statutory Auditor)
for and on behalf of Kirk Newsholme
Chartered Accountants and Statutory Auditors
4315 Park Approach
Thorpe Park
Leeds
West Yorkshire
LS15 8GB

25 September 2018

**Profit and Loss Account
for the Year Ended 31 December 2017**

| | | 2017 | | 2016 as restated | |
|--|-------|-----------|-----------|---------------------|-----------|
| | Notes | £ | £ | £ | £ |
| TURNOVER | 3 | | 9,784,773 | | 8,655,204 |
| Changes in stocks of finished goods and work in progress | | | (737,086) | | (321,261) |
| | | | 9,047,687 | | 8,333,943 |
| Other operating income | | | - | | 30,261 |
| | | | 9,047,687 | | 8,364,204 |
| Raw materials and consumables | | 3,781,501 | | 3,601,131 | |
| Other external expenses | | 582,184 | | 578,789 | |
| | | | 4,363,685 | | 4,179,920 |
| | | | 4,684,002 | | 4,184,284 |
| Staff costs | 4 | 3,019,907 | | 2,417,505 | |
| Depreciation | | 179,364 | | 221,146 | |
| Other operating expenses | | 981,272 | | 2,018,992 | |
| | | | 4,180,543 | | 4,657,643 |
| OPERATING PROFIT/(LOSS) | 5 | | 503,459 | | (473,359) |
| Income from shares in group undertakings | | - | | 1,165,577 | |
| Interest receivable and similar income | | 5,606 | | 3,876 | |
| | | | 5,606 | | 1,169,453 |
| | | | 509,065 | | 696,094 |
| Amounts written off investments | 6 | | - | | 25,032 |
| PROFIT BEFORE TAXATION | | | 509,065 | | 671,062 |
| Tax on profit | 7 | | - | | (123,000) |
| PROFIT FOR THE FINANCIAL YEAR | | | 509,065 | | 794,062 |
| OTHER COMPREHENSIVE INCOME | | | - | | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | | 509,065 | | 794,062 |

The notes on pages 13 to 24 form part of these financial statements

Charles F.Stead & Company,Limited (Registered number: 00080604)

**Balance Sheet
31 December 2017**

| | | 2017 | | 2016 as restated | |
|--|-------|------------------|------------------|---------------------|------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Tangible assets | 10 | | 1,919,239 | | 2,049,930 |
| Investments | 11 | | 10,117 | | 10,117 |
| | | | <u>1,929,356</u> | | <u>2,060,047</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 12 | 4,300,355 | | 4,855,809 | |
| Debtors | 13 | 1,457,829 | | 1,664,099 | |
| Cash at bank and in hand | | 2,755,321 | | 2,201,641 | |
| | | <u>8,513,505</u> | | <u>8,721,549</u> | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 14 | 582,955 | | 1,443,930 | |
| NET CURRENT ASSETS | | | <u>7,930,550</u> | | <u>7,277,619</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 9,859,906 | | 9,337,666 |
| PROVISIONS FOR LIABILITIES | 16 | | 198,000 | | 73,000 |
| NET ASSETS | | | <u>9,661,906</u> | | <u>9,264,666</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 17 | | 106,500 | | 106,500 |
| Capital redemption reserve | 18 | | 65,100 | | 65,100 |
| Retained earnings | 18 | | 9,490,306 | | 9,093,066 |
| SHAREHOLDERS' FUNDS | | | <u>9,661,906</u> | | <u>9,264,666</u> |

The financial statements were approved by the Board of Directors on 25 September 2018 and were signed on its behalf by:



K D Crack - Director

Charles F.Stead & Company,Limited (Registered number: 00080604)

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

| | Called up share capital £ | Retained earnings £ | Capital redemption reserve £ | Total equity £ |
|------------------------------------|------------------------------------|---------------------------|---------------------------------------|-------------------------|
| Balance at 1 January 2016 | 106,500 | 8,405,504 | 65,100 | 8,577,104 |
| Changes in equity | | | | |
| Dividends | - | (106,500) | - | (106,500) |
| Total comprehensive income | - | 794,062 | - | 794,062 |
| Balance at 31 December 2016 | <u>106,500</u> | <u>9,093,066</u> | <u>65,100</u> | <u>9,264,666</u> |
| Changes in equity | | | | |
| Dividends | - | (111,825) | - | (111,825) |
| Total comprehensive income | - | 509,065 | - | 509,065 |
| Balance at 31 December 2017 | <u><u>106,500</u></u> | <u><u>9,490,306</u></u> | <u><u>65,100</u></u> | <u><u>9,661,906</u></u> |

The notes on pages 13 to 24 form part of these financial statements

**Cash Flow Statement
for the Year Ended 31 December 2017**

| | | 2017 | 2016 as restated £ |
|---|-------|-------------------------|-----------------------------|
| | Notes | £ | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 23 | 690,587 | (646,968) |
| Tax paid | | - | (17,985) |
| Taxation refund | | 17,985 | - |
| Net cash from operating activities | | <u>708,572</u> | <u>(664,953)</u> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (65,679) | (223,154) |
| Sale of tangible fixed assets | | 17,006 | 9,425 |
| Interest received | | 5,606 | 3,882 |
| Dividends received | | - | 1,165,577 |
| Net cash from investing activities | | <u>(43,067)</u> | <u>955,730</u> |
| Cash flows from financing activities | | | |
| Equity dividends paid | | (111,825) | (106,500) |
| Net cash from financing activities | | <u>(111,825)</u> | <u>(106,500)</u> |
| Increase in cash and cash equivalents | | <u>553,680</u> | <u>184,277</u> |
| Cash and cash equivalents at beginning of year | 24 | <u>2,201,641</u> | <u>2,017,364</u> |
| Cash and cash equivalents at end of year | 24 | <u><u>2,755,321</u></u> | <u><u>2,201,641</u></u> |

**Notes to the Financial Statements
for the Year Ended 31 December 2017**

1. STATUTORY INFORMATION

Charles F.Stead & Company,Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in UK and Republic of Ireland" and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention modified to include certain items at fair value.

The Company has chosen to early adopt the amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland Triennial review 2017 - Incremental improvements and clarifications'.

The functional and presentational currency of the company is considered to be pounds sterling.

Preparation of consolidated financial statements

The financial statements contain information about Charles F.Stead & Company,Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Charles F Stead (Holdings) Limited, Sheepscar Tannery, Sheepscar, Leeds, LS7 2BY.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in UK and Republic of Ireland", not to disclose related party transactions with wholly owned companies within the group.

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised on despatch.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets are stated at purchase cost together with any incidental expenses of acquisition, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

| | |
|--------------------------|--|
| Improvements to property | - over the lease term |
| Plant and machinery | - 5 % straight line and 10 % on reducing balance |
| Motor vehicles | - 25% on reducing balance |
| Computer equipment | - 25% on reducing balance |

Residual value represents the estimated amount which would currently be obtained from disposal of an asset after deducting estimated costs of disposal, if the asset were already at an age and in the condition expected at the end of its estimated useful life.

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use.

The gain or loss arising on the disposal of an asset is determined on the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, carriage, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Impairment provisions are made in respect of the nature, age, quality and condition of each individual holding of stock.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if the company has a legally enforceable right to set off current tax assets against current liabilities.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Research and development

Research and development expenditure is written off as incurred.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are recognised in the profit and loss account.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments, and are recognised where material to the financial statements. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the profit or loss account in finance costs or finance income as appropriate.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock.

Where material, the cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme and that of directors' personal pension schemes are charged to the profit and loss account in the period to which they relate.

Employee benefit trusts (EBTs)

The company has purchased trusts for the benefit of employees and certain of their dependants. Monies held in these trust are held by independent trustees and managed at their discretion.

Where monies held in a trust are determined by the company on the basis of employees' past services to the businesses and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The following assets and liabilities are classified as basic financial instruments - trade debtors, other debtors, cash and bank balances, trade creditors, other creditors, accruals and inter-company balances.

Trade debtors, other debtors, cash and bank balances, trade creditors, other creditors, accruals and inter-company balances (being repayable on demand) are measured at the amortised cost equivalent to the undiscounted amount of cash or other consideration expected to be paid or received.

Foreign currency contracts are derivative financial instruments. As explained in the foreign currencies accounting policy above they are measured at their fair value. However the fair value of the derivative is only recognised in the financial statements where the amount is material to the financial statements. Where material, gains and losses arising from changes in the fair value of the derivative financial instruments are included in the profit and loss account in the period in which they arise.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below.

Non financial assets

An asset is impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had impairment not been recognised.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that the directors have made in applying the company's accounting policies and the key sources of estimation uncertainty that have had the most significant effect on the amounts recognised in the financial statements are described below:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of stock

The company's stock valuation methodology automatically builds in impairment provisions for stock estimated to realise a lower value than cost using pre-determined multiples to take account of the nature, age, quality and condition of each individual holding of stock. These pre-determined multiples are periodically re-assessed and amended where necessary to reflect the current estimates based on the current cost base of the company.

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2017 | 2016 as restated |
|----------------|------------------|------------------------|
| United Kingdom | 1,256,459 | 914,042 |
| Europe | 1,504,295 | 1,049,456 |
| Asia | 3,426,387 | 2,800,143 |
| Africa | 1,591,185 | 1,917,079 |
| North America | 1,158,823 | 1,308,598 |
| Other | 847,624 | 665,886 |
| | <u>9,784,773</u> | <u>8,655,204</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

4. EMPLOYEES AND DIRECTORS

| | 2017 | 2016 as restated |
|-----------------------|------------------|------------------------|
| | £ | £ |
| Wages and salaries | 2,600,928 | 2,107,382 |
| Social security costs | 304,538 | 203,889 |
| Other pension costs | 114,441 | 106,234 |
| | <u>3,019,907</u> | <u>2,417,505</u> |

The average number of employees during the year was as follows:

| | 2017 | 2016 as restated |
|-----------------------|-----------|------------------------|
| Office and management | 25 | 24 |
| Manufacturing | 44 | 51 |
| | <u>69</u> | <u>75</u> |

| | 2017 | 2016 as restated |
|--|------------------|------------------------|
| | £ | £ |
| Directors' remuneration | 1,001,053 | 612,500 |
| Directors' pension contributions to money purchase schemes | 64,912 | 42,928 |
| | <u>1,065,965</u> | <u>655,428</u> |

The number of directors to whom retirement benefits were accruing was as follows:

| | | |
|------------------------|----------|----------|
| Money purchase schemes | <u>4</u> | <u>4</u> |
|------------------------|----------|----------|

Information regarding the highest paid director is as follows:

| | 2017 | 2016 as restated |
|----------------|----------------|------------------------|
| | £ | £ |
| Emoluments etc | <u>240,985</u> | <u>143,362</u> |

5. OPERATING PROFIT/(LOSS)

The operating profit (2016 - operating loss) is stated after charging/(crediting):

| | 2017 | 2016 as restated |
|---|------------------|------------------------|
| | £ | £ |
| Depreciation - owned assets | 165,298 | 184,973 |
| Loss on disposal of fixed assets | 14,066 | 36,173 |
| Auditors' remuneration | 23,730 | 8,630 |
| Other non audit services | - | 550 |
| Foreign exchange differences | 495,654 | 30,490 |
| Fair value (gain)/ loss on foreign currency contracts | <u>(728,000)</u> | <u>728,000</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

6. AMOUNTS WRITTEN OFF INVESTMENTS

| | 2017 | 2016 as restated |
|--|------|------------------------|
| | £ | £ |
| Impairment of investment in subsidiary undertaking | - | 25,032 |

7. TAXATION

Analysis of the tax credit

The tax credit on the profit for the year was as follows:

| | 2017 | 2016 as restated |
|--------------------|-----------|------------------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | (125,000) | - |
| Deferred tax | 125,000 | (123,000) |
| Tax on profit | - | (123,000) |

UK corporation tax has been charged at 19.25% (2016 - 20%).

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2017 | 2016 as restated |
|---|----------|------------------------|
| | £ | £ |
| Profit before tax | 509,065 | 671,062 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%) | 97,995 | 134,212 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 2,592 | - |
| Income not taxable for tax purposes | - | (3,000) |
| Research & development tax credit | (95,418) | (103,388) |
| Income from group investments | - | (233,115) |
| Amounts written off investments | - | 5,007 |
| Other tax adjustments | (11,806) | 13,371 |
| Deferred tax on depreciation on transition | - | 53,786 |
| Group relief surrendered | 6,637 | 10,127 |
| Total tax credit | - | (123,000) |

The company has tax losses available of approximately £680,000 (2016 - £1,408,000) available to carry forward against future trading profits.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. DIVIDENDS

| | 2017 | 2016 as restated |
|------------------------------|----------------|------------------------|
| | £ | £ |
| Interim | | |
| Ordinary shares of £1 each | 22,365 | 21,300 |
| Ordinary A shares of £1 each | 89,460 | 85,200 |
| | <u>111,825</u> | <u>106,500</u> |

9. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the correction of an incorrect application of paragraph 12.8 of FRS102 in relation to forward currency contracts on transition to FRS102 in the financial statements for the year ended 31 December 2016.

Whilst the fair value losses on forward exchange contracts at 1 January 2016 at £89,000 were not material, the fair value losses on forward exchange contracts at 31 December 2016 of £728,000 should have been reflected in the balance sheet at 31 December 2016.

Accordingly the balance sheet as at 31 December 2016 and profit and loss account for the year end 31 December 2016 have been restated.

An adjustment has also been made to reduce the deferred tax liability as at 31 December 2016 by £145,000 to take account of the tax consequences of this restatement.

As a consequence total comprehensive income for the year ended 31 December 2016 has been restated from £1,377,062 to £794,062 in the Statement of Changes in Equity.

10. TANGIBLE FIXED ASSETS

| | Improvements to property £ | Plant and machinery £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|------------------------|-------------------------------------|-----------------------------|------------------------|----------------------------|------------------|
| COST | | | | | |
| At 1 January 2017 | 57,766 | 4,711,008 | 119,184 | 187,827 | 5,075,785 |
| Additions | - | 65,679 | - | - | 65,679 |
| Disposals | - | (117,630) | - | - | (117,630) |
| At 31 December 2017 | <u>57,766</u> | <u>4,659,057</u> | <u>119,184</u> | <u>187,827</u> | <u>5,023,834</u> |
| DEPRECIATION | | | | | |
| At 1 January 2017 | 53,915 | 2,758,664 | 78,496 | 134,780 | 3,025,855 |
| Charge for year | 3,851 | 138,011 | 10,172 | 13,264 | 165,298 |
| Eliminated on disposal | - | (86,558) | - | - | (86,558) |
| At 31 December 2017 | <u>57,766</u> | <u>2,810,117</u> | <u>88,668</u> | <u>148,044</u> | <u>3,104,595</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 2017 | <u>-</u> | <u>1,848,940</u> | <u>30,516</u> | <u>39,783</u> | <u>1,919,239</u> |
| At 31 December 2016 | <u>3,851</u> | <u>1,952,344</u> | <u>40,688</u> | <u>53,047</u> | <u>2,049,930</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

11. FIXED ASSET INVESTMENTS

| | Shares in group undertakings £ |
|---|---|
| COST | |
| At 1 January 2017 and 31 December 2017 | 10,117 |
| NET BOOK VALUE | |
| At 31 December 2017 | 10,117 |
| At 31 December 2016 | 10,117 |

The cost of investment in subsidiary undertakings above is stated net of an impairment provision of £175,032.

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Charles F.Stead & Co(Strensall) Limited

Registered office: Sheepscar Tannery, Leeds, LS7 2BY

Nature of business: Property

| | % holding | 2017 £ | 2016 £ |
|-------------------------------------|--------------|-----------|-----------|
| Class of shares: Ordinary Shares | 100.00 | 10,000 | 10,000 |
| Aggregate capital and reserves | | | |

Charles F Stead (Power) LLP

Registered office: Sheepscar Tannery, Sheepscar Street
North, Leeds, LS7 2BY

Nature of business: Trading commodities and providing
trade finance

| | % holding | 2017 £ | 2016 £ |
|-----------------------------|--------------|-----------|-----------|
| Aggregate members interests | 99.00 | 4,188 | 4,201 |

12. STOCKS

| | 2017 £ | 2016 as restated £ |
|------------------|-----------|-----------------------------|
| Raw materials | 2,183,406 | 2,001,774 |
| Work-in-progress | 976,001 | 1,676,971 |
| Finished goods | 1,140,948 | 1,177,064 |
| | 4,300,355 | 4,855,809 |

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 as restated |
|--------------------------------|------------------|------------------------|
| | £ | £ |
| Trade debtors | 816,382 | 795,373 |
| Other debtors | 334,692 | 606,760 |
| Tax | - | 17,985 |
| Prepayments and accrued income | 306,755 | 243,981 |
| | <u>1,457,829</u> | <u>1,664,099</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 | 2016 as restated |
|------------------------------------|----------------|------------------------|
| | £ | £ |
| Trade creditors | 165,212 | 149,500 |
| Amounts owed to group undertakings | 9,538 | 9,538 |
| Social security and other taxes | 90,694 | 95,983 |
| Other creditors | 31,964 | 235,438 |
| Loss on forward currency contracts | - | 728,000 |
| Accruals and deferred income | 285,547 | 225,471 |
| | <u>582,955</u> | <u>1,443,930</u> |

15. FINANCIAL INSTRUMENTS

Derivative financial instruments

The company enters into forward currency contracts to mitigate exchange rate risk for trade debts receivable in US Dollars.

At 31 December 2017 the outstanding contracts all mature within 12 months of the year end and the company has open contracts to sell \$3,500,000 (2016 - \$6,500,000) with a fair value liability of £26,000 (2017 - £728,000).

As at 31 December 2017 the liability of £26,000 has not been recognised in the financial statements on the grounds that it is not material.

16. PROVISIONS FOR LIABILITIES

| | 2017 | 2016 as restated |
|---|----------------|------------------------|
| | £ | £ |
| Deferred tax | <u>198,000</u> | <u>73,000</u> |
| | | Deferred tax |
| | | £ |
| Balance at 1 January 2017 | | 73,000 |
| Charge to Profit and Loss Account during year | | 125,000 |
| Balance at 31 December 2017 | | <u>198,000</u> |

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

16. PROVISIONS FOR LIABILITIES - continued

Deferred tax at 20% (2016: 20%)

Deferred tax is provided as follows.

| | 2017 £ | 2016 £ |
|--------------------------------|----------------|---------------|
| Accelerated capital allowances | 328,000 | 354,000 |
| Tax losses available | (130,000) | (281,000) |
| | <u>198,000</u> | <u>73,000</u> |

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2017 £ | 2016 as restated £ |
|---------|------------|-------------------|----------------|-----------------------------|
| 21,300 | Ordinary | £1 | 21,300 | 21,300 |
| 85,200 | A Ordinary | £1 | 85,200 | 85,200 |
| | | | <u>106,500</u> | <u>106,500</u> |

The Ordinary and A Ordinary shares rank pari passu.

18. RESERVES

The retained earnings represents cumulative profit or losses, net of dividends and other adjustments.

The capital redemption reserve represents shares repurchased by the company.

19. CONTROL

The company is under the control of the directors by virtue of their shareholdings in the ultimate parent company.

20. CAPITAL COMMITMENTS

| | 2017 £ | 2016 as restated £ |
|---|---------------|-----------------------------|
| Contracted but not provided for in the financial statements | <u>99,401</u> | <u>-</u> |

21. RELATED PARTY DISCLOSURES

The company paid agents commission on an arms length basis to a company whose two directors are brothers of two of the directors of the company totalling £nil (2016 - £28,073) and made purchases of £30,913 (2016 - £32,426) from the same company. The company also sold stocks at market prices to them totalling £10,480 (2016 - £23,259), of which £1,685 (2016 - £2,300) was outstanding at the year end.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

22. ULTIMATE PARENT COMPANY

The smallest group in which the results of the company are consolidated is that headed by Charles F Stead (Holdings) Limited, a company registered in England and Wales. The registered office of Charles F Stead (Holdings) Limited is Sheepscar Tannery, Sheepscar, Leeds, West Yorkshire, LS7 2BY.

23. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

| | 2017 | 2016 as restated |
|--|----------------|------------------------|
| | £ | £ |
| Profit before taxation | 509,065 | 671,062 |
| Depreciation charges | 165,298 | 184,973 |
| Loss on disposal of fixed assets | 14,066 | 36,173 |
| Amounts written off investments | - | 25,032 |
| Finance income | (5,606) | (1,169,453) |
| | <u>682,823</u> | <u>(252,213)</u> |
| Decrease in stocks | 555,454 | 178,151 |
| Decrease/(increase) in trade and other debtors | 188,285 | (2,271) |
| Decrease in trade and other creditors | (735,975) | (570,635) |
| | <u>690,587</u> | <u>(646,968)</u> |
| Cash generated from operations | 690,587 | (646,968) |

24. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2017

| | 31.12.17 | 1.1.17 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>2,755,321</u> | <u>2,201,641</u> |

Year ended 31 December 2016

| | 31.12.16 | 1.1.16 |
|---------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents | <u>2,201,641</u> | <u>2,017,364</u> |